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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday 28 February 1978

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National Intelligence Daily Cable for Tuesday, 28 February 1978.

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The NID Cable is for the purpose of informing senior US officials.

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ISRAEL: Negotiating Position

25X1 [] Public statements last weekend by Israeli Foreign Minister Dayan and Minister without Portfolio Landau suggest that Prime Minister Begin will find it difficult to modify his negotiating position and may adopt a hard, unyielding line during talks in Washington in mid-March.

25X1 [] In an interview, Dayan underlined the principles he thought should guide the Israeli cabinet's approach to the current peace negotiations. With studied and characteristic ambiguity, Dayan hinted that Israel might show some flexibility by saying that the government should keep an open mind and not be bound by past positions. But he also stressed that the cabinet must weigh the long-term consequences of its decisions and be prepared to stand firm in the end if necessary.

25X1 [] Landau, an old crony of Begin, was tougher and more explicit than Dayan in a speech tailored primarily for a domestic audience. He said the Israeli Government rejects the interpretation of UN Security Council Resolution 242 calling for Israeli withdrawal from all three fronts, and will not accept any statement of principles that incorporates the concept of self-determination or even hints at a referendum for the Arabs of the West Bank and Gaza. Landau also warned--as Begin has previously--that Israel reserves the right to withdraw its peace plan and propose border changes instead if its proposals are rejected.

25X1 [] Landau was probably faithfully representing Begin's own views. The Prime Minister's decision to go along with the cabinet on Sunday in imposing a temporary freeze on most settlement activity probably is only a tactical shift to appease cabinet moderates and avoid any further controversy over the settlement question before he meets with President Carter. Indeed, despite deep divisions within the cabinet over settlement policy, the moderates as well as cabinet hard-liners basically favor retaining the present settlements in the Rafah area as part of an agreement with Egypt. []

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EGYPT-PALESTINIANS: Media Attack

25X1 [] Egypt's semi-controlled media continue harshly to condemn the Palestinians following the killing of Egyptian editor

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Sibai in Nicosia in mid-February. Thus far, Cairo's only reprisal is Prime Minister Salim's announcement yesterday that Egypt will strip Palestinians within its borders of some special privileges they have enjoyed for over 20 years. The media, however, hint at more drastic retaliation.

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[] Salim's vaguely worded announcement to the People's Assembly said Palestinians will now be treated like other Arab nationals living in Egypt, but did not spell out the legislation that will be presented to the Assembly. According to press reports, Palestinians will now have to acquire residence visas to live in Egypt.

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[] Although Salim blamed Sibai's killing on rejectionists intent on sabotaging President Sadat's peace initiative, he also appeared to take a swipe at Yasir Arafat, head of the Palestine Liberation Organization. Salim accused "those who claim to lead the Palestine people" of selling out to the rejectionists.

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[] Salim's remarks echo the line taken by Cairo papers in recent days. The papers argue that Arafat and the PLO must accept responsibility for Sibai's assassination if they claim to be the sole representative of the Palestinians. The press nevertheless emphasizes that Egypt will continue its struggle to secure self-determination for the Palestinian people.

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[] Cairo is clearly suggesting to the PLO that it is reviewing its recognition of Arafat and its acceptance of the PLO as the sole representative of the Palestinians. We doubt, however, that Egypt is now prepared to translate these hints into action. Sadat probably would have abandoned Arafat and the PLO long ago if he had any realistic alternatives. Palestinians of stature living on the West Bank are nearly unanimous in support of the PLO; and Jordan, a possible alternative spokesman, would need a wider mandate than Egypt's to speak for the Palestinians.

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[] PLO officials have responded in kind to Egypt's anti-Palestinian campaign. Last Friday Arafat accused Sadat of fomenting the campaign as an excuse to dissociate Egypt from the Palestinian cause. Arafat also charged that Sadat is joining the US in an attempt to force the Arabs to capitulate on a Middle East settlement. []

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SOUTH KOREA: Dissident Tactics

25X1 [REDACTED] //Opponents of South Korean President Pak have become more active and are certain to make additional efforts to dramatize their cause during the next several days. The Pak government will try to avoid any heavy-handed reaction that would prompt adverse publicity abroad, but officials say there are limits to what they will tolerate. Some fairly lively confrontations could result if the dissidents resort to street demonstrations.//

25X1 [REDACTED] //In the past two weeks, the activists have issued a series of harsh statements criticizing the Pak government--including an open letter to President Carter--that would have provoked mass arrests as recently as 1976. Pak's adversaries are said to believe that 1978 is a year of opportunity for them for a number of reasons. These include the strains in US - South Korean relations, US human rights policies, and the series of elections the government has scheduled for this year.//

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25X1 [redacted] //The South Korean authorities are keenly aware of the likely US reaction to mass arrests, especially when the Tongsun Park case and the question of aid to Seoul are before Congress.

25X1

25X1 [redacted]

25X1 [redacted]

25X1 [redacted]

25X1 [redacted]

25X1 [redacted]

25X1 [redacted]

25X1 [redacted]

25X1 [redacted]

NICARAGUA: Anti-Somoza Rioting

25X1 [redacted] Nicaragua President Somoza has apparently accompanied promises of major concessions to his political opposition with a stepped-up military operation to crush increasing antigovernment rioting that was probably instigated by Sandinista guerrillas.

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[] Somoza pledged on Sunday to retire after his present term ends in 1981, to legalize all political parties, to increase economic benefits for the lower classes, and to appoint an impartial commission to investigate the assassination of newspaper publisher Chamorro.

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[] Anti-Somoza groups--especially Sandinista guerrillas--have nonetheless continued rioting that has taken a violent turn in recent days. Since Somoza's speech, disturbances in two small towns south of the capital where antigovernment sentiment runs high have left about 10 persons dead and at least 50 injured and have taken a heavy toll in property damage. Yesterday, according to a Managua radio station, two students were killed by the National Guard in the capital. Casualties in outlying towns were reported to be increasing.

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[] The National Guard, which had tried to quell the rioting by cordoning off the affected areas, has apparently now found it necessary to resort to greater force in order to handle the situation. []

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USSR: Nuclear Power Program

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[] *The Soviet nuclear power program will reach about 15,400 megawatts of generating capacity in 1980, almost 20 percent short of the goal. The machine-building industry is unable to meet commitments for reactor components, and the Soviets have been unable to purchase nuclear equipment from Western countries.*

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[] The Soviets plan for all growth in generating capacity in the European USSR to be nuclear by the mid-1980s. Nationwide, they hope to attain 100,000 megawatts of nuclear capacity by 1990, about 20 percent of total electric generating capacity.

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[] The Soviets plan to construct 13,800 megawatts of nuclear generating capacity during the 1976-80 period, virtually all of it in European areas of the country. The planned total nuclear generating capacity is to increase from 4,671 megawatts at the end of 1975 to 18,400 at the end of 1980. The plan provides for the construction of five 440-megawatt and three 1,000-megawatt pressurized water reactors and eight 1,000-megawatt pressure tube, graphite-moderated reactors. The Soviets also plan to put a 600-megawatt breeder reactor into operation at the Beloyarsk nuclear power plant. These reactors are being built at 11 nuclear power plants.

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[] Construction is to begin during this same period on another five nuclear power plants, to go into operation after 1980. A draft agreement has also been worked out for joint investment by the USSR's East European allies in two large nuclear power plants to be constructed soon in the southern Ukraine; the power they produce is to be exported to the participating countries.

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[] The USSR has also contracted to supply nuclear power plants to its East European allies and to Finland. Five Soviet 440-megawatt reactors are already in operation in Bulgaria, East Germany, and Finland. By 1980, two more reactors are scheduled to go into operation in Bulgaria, two in Czechoslovakia, four in East Germany, one in Hungary, and one in Finland. In the early 1980s Soviet nuclear power reactors are scheduled to go on line in Poland and Cuba.

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[] Despite the high priority given the nuclear power program, development has fallen behind schedule. The goal of 18,400-megawatts of nuclear generating capacity in 1980 will probably be missed by a wide margin, perhaps 20 percent. The USSR cannot achieve the hoped for 10,000 megawatts a year of new nuclear powerplant capacity until 1990 at least. As a result, growth in power output in the European USSR will fall still further.

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[] The major constraint on construction of nuclear power plants is the inadequate manufacturing capacity for pressure vessels and components. The Izhora Heavy Equipment Plant in Leningrad is the only Soviet plant that we know to be producing reactors at present. It can accommodate 12 reactors in varying stages of construction, with an annual output of about four reactors. This plant is being expanded with new construction scheduled to be completed by 1980. The weight and size of reactor vessels produced at Izhora is limited because they must be shipped out by rail.

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[] A top-priority construction project of the Tenth Five-Year Plan (1976-80) is a giant new plant to produce nuclear reactors of 1,000-1,500 megawatts. The plant, known as Atomash, is located at Volgodonsk, on the Tsimlyansk Reservoir in Rostov Oblast. This site was selected because reactors can be shipped out by water via the Volga-Don Canal and the Volga River or the Black Sea.

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[] The plant will occupy a 1,630-acre site and require a great deal of specialized and extra-heavy equipment, much of

which is being purchased in Italy and the US. If it goes according to plan, the plant will be completed in 1980, and the first complete reactor will be turned out in 1981. When it reaches planned capacity, Atomash will produce eight complete 1,000 megawatt reactors annually. Construction is progressing slowly, however, and completion of the plant probably will be delayed by at least a year or two.

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[] By the mid-1980s the new plant should be producing reactor components at planned capacity, and the nuclear power plant construction program can step up to a faster pace. The goal for 1990 of 100,000 megawatts, however, is not likely to be fulfilled.

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[] Czechoslovakia is preparing to produce Soviet-designed 440-megawatt reactors under agreements with the USSR signed in 1974 and 1976. A reactor vessel assembly hall is being built at Skoda Engineering Works in Plzen. The first pressure vessel is scheduled to be produced this year, and by 1980 the plant is to turn out five reactors. These reactors will be supplied to Hungary, East Germany, and Czechoslovakia to fulfill Soviet commitments. After 1980 the Skoda Works will produce four or five reactors a year and may begin to construct 1,000-megawatt reactors.

25X1

[] The Soviets have contracted for certain items of equipment from other East European countries, mainly for nuclear power plants with 440-megawatt reactors. It has also approached a number of Western countries regarding the purchase of nuclear power reactors. As of this date, however, the West has shown little interest and no agreements have been reached.

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CANADA: Nuclear Safeguards

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[] *//Canada's self-imposed safeguards are inhibiting its sales of nuclear reactors and materials abroad. Environmental concerns are slowing domestic development of nuclear energy.//*

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[] *//Technological expertise and abundant uranium resources have made Canada a leading exporter of nuclear fuel and reactors. Ottawa's nuclear plan calls for exporting one or two Candu reactors and associated power plants annually, together with the heavy water and natural uranium needed to fuel these plants. Exports are also the major outlet for*

Canada's uranium mining industry. Canada produces more than 6,000 tons of uranium oxide annually--about one-fifth of total world output--but now uses less than 600 tons for its own requirements.//

25X1 [] //Government targets for foreign sales of Candu reactors are almost certainly overly ambitious. Only five units have been sold during the past 10 years, reflecting both the general conditions of the world's nuclear industry and Canada's tight safeguard measures. Because a growing number of potential foreign customers are postponing and stretching out their own nuclear programs, prospects for improving this record are not bright.//

25X1 [] //The domestic market for nuclear reactors is also uncertain. Antinuclear groups and some members of Parliament are calling for a national nuclear power moratorium until it is demonstrated beyond reasonable doubt that wastes can be safely handled. Ottawa has frozen further research on spent fuel reprocessing until the International Nuclear Fuel Cycle Evaluation study is completed.//

25X1 [] //Problems have also developed at the provincial level. Manitoba has scrapped its nuclear program because the province's energy requirements are not increasing as rapidly as expected. Quebec, hoping to harness lower cost hydropower, has instituted a two-year moratorium on nuclear project starts.//

25X1 [] //To meet its ambitious export and domestic development plans, Canada established a nuclear industry capable of building four or five reactors annually. It also developed a heavy-water industry to fill the needs of the natural uranium fueled Candu reactor. While few firms are wholly dependent on their nuclear business, several of the largest manufacturing concerns have invested heavily in capacity to produce reactor components.//

25X1 [] //Only about half of this capacity is now being utilized. The domestic market is currently scheduled to take no more than two reactors annually over the next 10 years. Since export prospects are limited, excess capacity will persist and may even increase. In these circumstances, Ottawa may attempt to bolster foreign sales by offering extremely favorable financial terms.//

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[] //The heavy-water industry faces a similar problem. If export sales do not expand significantly and the domestic nuclear program falls below expectations, a heavy-water glut will develop. Ottawa's push to construct the \$1 billion La Prade heavy water plant is certain to add to the industry's problems. La Prade's economic viability is already in serious doubt with exports down and Quebec's moratorium in effect.//

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[] //The outlook for the nuclear industry is not wholly bleak, however. Ontario Hydro has had outstanding success with its Candu reactors and states that its Pickering nuclear station generates electricity at significantly lower cost than its coal-fired plants. In 1977, Pickering's utilization of capacity reached 93 percent, one of the best records among utilities last year.//

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[] //The Candu's success should assure the continuation of some export business despite the safeguard problem. Canada and Romania have agreed on reactor safeguards, and contracts for Canadian firms worth about \$500 million may be in the offing. In addition, Ottawa believes that sales of Candu reactors are possible to Italy and South Korea; licensing arrangements with the Japanese have also been discussed. Uranium exports should also pick up following the negotiation of bilateral safeguard agreements with the European Community and Japan. []

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COLOMBIA: Election Results

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[] *Early returns from Colombia's combined congressional election and Liberal Party presidential primary on Sunday show Julio Cesar Turbay with a commanding lead over former President Carlos Lleras Restrepo. They also indicate that the Liberals have won a sizable majority of the 311 seats in the Senate and Chamber of Representatives.*

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[] Although Lleras has not yet conceded, Turbay's headquarters has already claimed victory. Turbay will undoubtedly receive his party's nomination and will oppose Conservative Belisario Betancur in the presidential election on 4 June.

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[] Troops patrolled city streets and travel was restricted on election day in an effort to increase security and encourage voting. There were only scattered incidents and the election was generally orderly.

25X1 [] In spite of measures to ensure "full democratic participation," 60 to 70 percent of the electorate avoided the ballot boxes--a level of apathy that far exceeded the traditionally poor turnouts of past years. The high rate of abstention is due partly to the belief of many Colombians that they have little influence on a government in which policies are carried over from the National Front era, when Liberals and Conservatives maintained political parity. In addition, much of the electorate has no confidence in a leadership increasingly subject to charges of corruption and vote-buying. []

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INDIA: Election Winner

25X1 [] *Former Prime Minister Gandhi's sweeping electoral victories in Karnataka and Andhra Pradesh--two of the three southern states that elected new legislatures on Saturday--give her a base on which to rebuild her wing of the Congress Party and to establish a more effective opposition challenge to the Janata Party, which controls the central government.*

25X1 [] Janata is maintaining a lead in Maharashtra State, but even a victory there for the ruling party would not detract from the significance of Gandhi's comeback in the two neighboring states. The generally dismal performance of the anti-Gandhi wing of the Congress Party leaves open the possibility of a reconsolidation of the party just two months after its split. The votes are still being counted in the three less important northeastern areas that also held elections on Saturday. []

25X1

INDONESIA: Food Sector in Trouble

25X1 [] *Recent reports from Jakarta show that Indonesia's persistent problems of food production, distribution, and supply are intensifying. Despite continued economic growth and a 50-percent increase in rice production, per capita production of food staples stagnated during the past decade. More serious, however, is the apparent leveling off of Indonesian rice production. Jakarta may have to import steadily increasing amounts of foodgrains in coming years.*

25X1 [] Indonesian agriculture has suffered setbacks as a result of poor weather and crop diseases. Food problems have been worsened by rising population, land pressures on Java,

inadequate farm income, and the government's unwise policy decisions. Agricultural and rural development programs, for example, have been inadequate and have concentrated on rice production to the exclusion of other food crops. The government also has been unable to protect its cooperative marketing system from corruption.

25X1 [] Indonesian rice imports soared from 1.6 million tons in 1976 to nearly 2.5 million tons in 1977. The increase of imports was necessitated by drought and increased damage to the high-yielding rice varieties by the brown planthopper, an increasingly serious deterrent to expanding rice production in Indonesia.

25X1 [] Rice imports were accompanied by imports of a million tons of wheat, and some sources estimate average grain imports of from 4 to 5 million tons per year over the next five years.

25X1 [] High-level Indonesian officials regard food production and supply, together with population control, as priority issues. Revised strategies by Indonesian planners, a much larger investment than currently proposed in the 1978-79 draft budget, and a massive education campaign among bureaucrats and villagers will be required to revamp the Indonesian agricultural system to meet future needs. The necessary planning and programming for future production are far in arrears, however.

25X1 [] Any major gains in agricultural production will almost certainly have to include agricultural development in the outer islands, which means that increases will be slow and expensive. Food production potential in these islands has not been technically verified, and development has received limited funds to date. Any large-scale development will be complicated by problems of poor soils, inadequate drainage, lack of transportation, complex landholding laws, and existing settlement of the most favorable land.

25X1 [] The expenditures for renovating irrigation systems on Java over the past 10 years will be dwarfed by the size of the investment that will be necessary to develop the outer islands; no matter how large the investment, the returns will be smaller than on investments on Java. []

25X1

BRIEFS

Mauritania

25X1 [] According to press reports, Polisario Front guerrillas have again forced Mauritania to shut down its vital rail line between the iron ore mining center at Zouerat and the port of Nouadhibou. Iron ore exports account for about 85 percent of Mauritania's foreign exchange earnings.

25X1 [] The Algerian-backed guerrillas have apparently attacked two iron ore trains in the past week. During the second attack near Nouadhibou on Saturday, about 50 loaded ore carts were derailed, with the result that the Mauritanian state mining company suspended shipments along the rail line.

25X1 [] Polisario operations in Mauritania have been at a low level since last December, when French fighter-bombers based in Senegal began flying combat support missions against the guerrillas. The guerrillas apparently have decided to revert to smaller operations and night attacks to minimize detection by French aircraft. []

Peru

25X1 [] A Communist-led two-day general strike began in Peru yesterday but resulted in only partial disruption of commercial life in Lima and some outlying areas. The walkout, which is being staged to protest the dismissal, imprisonment, and deportation of workers, was clearly less successful than a similar one last July that paralyzed Lima for 24 hours.

25X1 [] Some violence was reported as students and workers stoned buses, but such incidents were largely confined to the slum areas of Lima. There have been no confirmed reports of deaths.

25X1 [] The government's response to the strike thus far has been low-key. The Civil Guard evidently has been able to handle the situation without calling for reinforcements from the armed forces. The government has reported the arrest of 185 strikers, including 20 union leaders. Some officials nonetheless are concerned that the government's relatively moderate stance could encourage the strikers to take bolder action today. []

25X1